

STATE CONTROLLER'S OFFICE
PERSONNEL/PAYROLL SERVICES DIVISION
P. O. BOX 942850
Sacramento, CA 94250-5878

DATE: November 22, 2004

PAYROLL LETTER #04-017

TO: All Agencies/Campuses in the Uniform State Payroll System

FROM: JOHN R. HARRIGAN, Chief
Personnel/Payroll Services DivisionRE: **2004 WAGE AND TAX STATEMENT**

This Payroll Letter provides information regarding the 2004 Wage and Tax Statement, Form W-2. For additional information, please refer to the appropriate sections in the Payroll Procedures Manual.

GENERAL INFORMATION REGARDING FORM W-2

Below are answers to frequently asked questions regarding Form W-2:

1. The Form W-2 reflects wages paid by warrants/direct deposit payments that were issued during the 2004 tax year, regardless of the pay period in which the wages were earned. The 2004 Form W-2 includes warrants/payments issue dated January 1, 2004 through December 31, 2004. The Form W-2 contains all wages and tax information for an employee regardless of the number of State agencies/campuses for which he or she worked during the tax year.
2. The year-to-date gross on the final earnings statement/direct deposit advice for 2004 may not agree with Box 1 (Wages, Tips, Other Compensation), due to the following items:
 - Accounts Receivable deductions
 - Non-USPS Adjustments
 - Deferred Compensation deductions
 - Pre-Tax Benefit deductions (POP/TAPP)
 - Pre-Tax Parking deduction
 - Flex Benefit deductions
 - Retirement, PST or ARP Contributions
 - Labor Code 4800 payments
 - Tax Sheltered Annuity deductions
 - Consolidated Benefits
3. Non-Industrial Disability Leave, Temporary Disability and Industrial Disability Leave Supplementation payments are considered wages and are included in Box 1.
4. Industrial Disability Leave (IDL) payments are considered employee benefits rather than wages and are not included in Box 1. Additionally, IDL payments are not subject to Social Security/Medicare wages and will not be reflected in Box 3 (Social Security Wages) or Box 5 (Medicare Wages and Tips).

5. Box 4 (Social Security Tax Withheld) was computed based upon the 2004 rate of 6.20% of wages subject to Social Security. The 2004 maximum wages subject to Social Security was \$87,900.
6. Box 6 (Medicare Tax Withheld) was computed based upon the 2004 rate of 1.45% of wages subject to Medicare. There is no maximum amount of wages subject to Medicare.
7. Box 13 (not titled, but used to identify if employee is in a pension plan) will have an "X" indicated for all employees who were members of either the Public Employees', State Teachers', Judges' or Legislators' Retirement System. Employees in the Alternate Retirement Plan or Part-time, Seasonal and Temporary retirement plan will not have an "X" indicated.
8. Box 1 and Box 3 or 5 may not agree due to the following items:
 - Accounts Receivable deductions
 - Reaching Social Security maximum wages
 - Deferred Compensation deductions
 - Retirement, PST or ARP Contributions
 - Flex Benefit deductions
 - Tax Sheltered Annuity deductions
 - Pre-Tax Benefit deductions (POP/TAPP)
 - Pre-Tax Parking deduction
 - Consolidated Benefits
9. Dependent Care deduction amounts withheld in 2004 will be reported in Box 10 (Dependent Care Benefits). The 2004 Dependent Care maximum contribution was \$5,000.
10. Fringe Benefits will be reported in Boxes 1 and 14 (Other). This amount will also be included in Boxes 3 and 5, if applicable.
11. Employees who had Deferred Compensation or Tax Sheltered Annuity deductions withheld will have the deduction amounts indicated in Box 12 with codes "D" for 401(k), "G" for 457 and "E" for 403(b).
12. Employees who are Part-time, Seasonal and Temporary and have contributed to the PST Retirement Plan will have the deduction amount indicated in Box 12 with code "G".
13. The non-taxable Standard Mileage Reimbursement amounts up to the State's allowances will be indicated in Box 12 with Code "L". The non-taxable portion of the Moving Expense Mileage Reimbursements will be indicated in Box 12 with code "P".
14. The qualified (non-taxable) reimbursement amount of Moving Relocation Expenses will be indicated in Box 12 with code "P".
15. The imputed value of Group Term Life Insurance coverage in excess of \$50,000 will be indicated in Box 12 with code "C".

16. If an employee receives a Form W-2 with an incorrect social security number or two or more Forms W-2 with different social security numbers, the employee's Employment History record must be corrected. Civil Service departments, submit a PAR to correct record. CSU Campuses, refer to PIMS Manual-Transaction 105 to correct record. Payroll Operation's W-2 Unit will then send a Form W-2c (Corrected Wage and Tax Statement) to the department/campus for the affected employee.
17. Duplicate Form W-2 may be requested by completing Form Std. 436, available through our web site at <http://www.sco.ca.gov/ppsd/empinfo>. There is an \$8.50 processing fee for each tax year a duplicate Form W-2 is requested.

For those employees currently employed, payment for the duplicate Form W-2 must be made via payroll deduction and the appropriate option must be checked on the Std. 436. For those employees in positions which do not allow voluntary deductions (i.e.: retired annuitant, student assistant, youth aide) or the employee has separated from their state employment, payment must be made via a money order or cashier's check made payable to the State Controller's Office. Personal checks are not accepted.

Please note, if an employee claims that his/her Form W-2 was never received, we will not require a fee for providing a duplicate Form W-2 if the request is received by March 4. However, in order to receive this waiver, Personnel/Payroll offices must complete Form Std. 436 requesting fee waiver indicating the W-2 was never received and that the mailing address was verified to be correct.

18. Any questions concerning Federal or State tax returns must be directed to the local Internal Revenue Service or Franchise Tax Board Office.

If you have any questions regarding this Payroll Letter or the information on the Form W-2, please contact Payroll Operation's W-2 Unit at (916) 322-8100. Please ensure employees do not contact the W-2 Unit directly.

JRH:CJ:SACS